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INDUSTRIAL PRODUCTION FIGURES

Product	Prod J-F 87	% Feb plan f	% J-F plan f
Electricity (b.kw.hrs)	301	100.3%	100.7%
Petroleum (inc. gas cond.)(mil. metric tons)	100	100.6	100.5
Nat. Gas (b.cu.mtr)	120	102	102
Coal (mil. metric tons)	129	102	102
Steel (mil. met. tons)	26.0	101	99.4
Fertilizer (mil.tons)	5.9	103	102
Metal-cutting tools (mil. rubles)	421	92	89
Robots (1000 units)	2.0	103	111
Computer Technology (mil. rubles)	697	93	91
Tractors (mil. hp)	8.5	95	95
Paper (1000 metric tons)	1000	99.4	98
Cement (mil. metric tons)	21.9	100.5	100.3
Meat (mil. metric tons)	2.0	108%	108%
Margarine (mil. tons)	na	na	na
Watches (mils)	na	na	na
Radios (1000s)	1.2	92	87
TV sets (mils)	1.2	82	77
Automobiles (1000s)	216	107	99.8

*plan f = plan fulfillment

LIVESTOCK

(in millions)

	Mar 1 86	Mar 1 87	% Change
Cattle	94.7	96.1	101.5%
Cows	29	28.9	99.7
Hogs	59.1	60.3	102.0
Sheep & Goats	121.4	123.4	101.6
Chickens	752.6	751.6	99.9

NEW PROBLEMS ON THE SOVIET PRODUCTION FRONT

The February production figures indicate that some industries did recover reasonably well from the cold of January. For example, coal production was up 2% and steel production was up 1% Oil production also was higher, but only by about .6% over what it had been in February 1986. Reflective of the continuing difficulty, however, was the fact that natural gas production was up only 2% for both February and the January-February period as a whole. Electrical energy generation was up only .3%. This is a significant drop from results in earlier years and clearly reflects the weather problems.

Some of the other industries, particulary those producing goods intended for the consumer, seemed to have developed some new problems unrelated to the cold. In other words, since production of items like washing machines, radios, television sets, tractors and automobiles, are produced indoors, the cold weather should not be as much of a problem, although admittedly transportation difficulties could effect the receipt of supplies. What seems to have happened, however, is that as the relatively sharp fall in production of some of the products, i.e. television production down 18% in February from an earlier year, and tractor production down 5% is a result of the institution of new quality controls that were imposed on January 1 of this year. There are more and more reports in the Soviet press of the fact that goods which were once accepted as meeting production targets are now being rejected. In some cases the rejection rate is as high as 70%. This has consequence not only for plan fulfillment, but also for workers' wages.

This crackdown on quality is obviously a necessary step if Gorbachev is going to improve the goods produced in Soviet factories. However, by resorting to inspectors, he has fallen back on traditional adminstrative measures, rather than rely on the market which presumably is part of the reform process. It also means, however, that he will be hard put to show immediate benefits from the reform process. Indeed, it may very well be that production, particularly of goods requiring processing and value added, will fall. At a time when he needs to show that his reform is producing results, this not the way to do it and even when the weather improves, the likelihood is that he will continue to have difficulties.

LIVESTOCK HERDS

The change in livestock herds in March, from recent months is a very mixed picture. Compared to March 1, 1986, there is a reasonable increase in everything but cows and chickens, and the cow herd was in fact almost the same. However, a year ago, the herds were down in almost all cases, except for hogs and chickens, compared to March 1, 1985.

In comparison to February 1, 1987, the results are not that impressive. In fact, the size of the chicken population on February 1, 1987 over February 1, 1986 was up, where the March by March comparisons were down. Similarly the increase in the other stocks were not as high as they had been in the February-February comparison. Nonetheless, the fact that the herds have been this high, given all this cold weather, is a notable accomplishment and suggests that meat supplies this coming year may be improved slightly.

ARDEN HOUSE REPORT

The Arden House Conference this year was one of the most stimulating of the whole eleven years. This was provoked in large part by Gorbachev himself. He forced us to look at what he is doing internally and externally in a new light. This was one of the few times over the eleven years when we have had to turn away people for lack of space.

We have not as yet picked the topic for next year, but we do have the dates. The Annual Arden House Conference on American-Soviet Relations will meet March 25-27, 1988 and we will again meet at Arden House. You should mark your calendars now.

LAST CORPORATE SPONSOR SEMINAR

CMEA 1986 - 2000: SOVIET-EAST EUROPEAN RELATIONS UNDER GORBACHEV

For the final Corporate Sponsor Seminar of the year, the Russian Research Center will look at the evolving relationship between the Soviet Union and Eastern Europe. We will convene on Monday, April 27 and take a country by country look at the economic reforms that are being contemplated or are already in place and how they relate to the reforms underway in the Soviet Union. We will also examine to what extent, if at all, the plans of the different countries have been coordinated.

This program has been organized by Sarah M. Terry of Tufts University and the Russian Research Center. She has managed to bring together an impressive collection of East European specialists. The full program and application form are included in this newsletter.

CONFERENCE ON US-SOVIET TRADE

Sunday, April 26, 1987

The conference, sponsored jointly by the International Business Club of the Harvard Business School and the Russian Research Center, will be composed of a series of panel discussions addressing such topics as the current state of trade and economic relations, recent changes in Soviet foreign trade policy (the new joint venture legislation), and how to do business with the Soviets.

The program and application are included in this issue of the newsletter. For further information, contact Mr. Eric Fay, Russian Research Center, 1737 Cambridge Street, Cambridge, MA 02138. Phone (617) 495-4037 (leave message).

THE RUSSIAN RESEARCH CENTER takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Catherine Reed. RRC © 1986

THE SOVIET UNION

A Kremlin reformer walks a tightrope

Too much openness could be Gorbachev's undoing

By Angela Stent
Special to the Globe

Two years ago, a joke was going around Moscow about Ivan, who meets Sasha and asks, "Sasha, did you go to Brezhnev's funeral?" "No," replies Sasha, dejected. "To Andropov's?" "No." "To Chernenko's?" "No." "Well," replies Ivan, triumphantly, "I went to all three. I have a season ticket."

Today, such jokes have vanished from the streets of Moscow. With the surprise promotion two years ago this month of Mikhail Gorbachev to lead the Soviet Communist Party, the Kremlin made up its mind that there would be no more season tickets for funerals. After a three-year period of old, infirm leaders, it selected a talented, vigorous, 54-year-old politician, who committed himself to reform Soviet society and make its economy more efficient.

Gorbachev has introduced changes ranging from the economy to party organization to culture. His rhetoric has been critical and uncompromising. But, after two years at the helm, what has he accomplished? And to what extent have his colleagues accepted his new ideas?

So far, the results of his economic reforms (his top priority) remain elusive. He has fired many functionaries, reorganized ministries, introduced limited private enterprise and permitted joint ventures with Western firms. But it is too early to say whether Soviet economic performance has improved. Moreover, Western firms report confusion among the Soviet negotiators now permitted to discuss joint ventures. They simply don't know how to deal with this partial decentralization.

Internal party reforms

Gorbachev has also taken on the Communist Party itself – a potentially dangerous step for any Soviet leader. In January, in a six-hour speech to the Communist Party's Central Committee, he called for major reforms in the way the country was run.

These moves reminded some observers of the attempted liberalization efforts of Nikita Khrushchev, Soviet leader from 1955 to 1964. They also reminded the observers of another parallel – that both leaders were seeking to gain firmer control of the Communist Party apparatus. But something else is not to be forgotten either – the eventual ousting of Khrushchev by those opposed to his policies.

Gorbachev's speech at the Central Committee meeting, which had been twice postponed, made headlines in the West because it advocated changing the way the Communist Party – numbering some 18 million members – selects some of its key officials. He started out by criticizing the stagnation and repression of Soviet society under previous leaders, without actually naming Joseph Stalin or Leonid Brezhnev. In particular, he attacked the ossification of party cadres under Brezhnev, when there was virtually no turnover in key Central Committee personnel.

After painting an optimistic picture of what the Soviet Union is capable of achieving, he proposed a number of changes in political and economic organization, including the introduction of secret ballots in the election of key party officials and the possibility of several candidates competing for each position.

Western observers seized on these proposals as evidence of a major move toward democratization, but one should approach them with caution. First, the secret-ballot proposal has been part of the party statutes for years; it has just never been implemented. Second, the party remains an elite organization shrouded in secrecy, so the elections involve officials who are not chosen by the public. Third, the guiding principle of the Communist Party – "democratic centralism" – has not been diluted.

In fact, Gorbachev reiterated how important it was. Democratic centralism is more centralized than democratic. It means that party decisions are handed down from above and, once taken, cannot be challenged by lower organs. There are distinct limits to decentralization as long as the party remains so tightly controlled from above.

Nevertheless, Gorbachev is trying to revitalize the party and strengthen his own position by bringing new people into its echelons. Like Khrushchev, he is using the party as an instrument to consolidate his own power. But he must be aware that Khrushchev ultimately alienated too many vested interests by trying to expand the functions of the party.

Political prisoners released

Gorbachev's proposals must be viewed in the context of the sometimes remarkable changes that have recently taken place in the Soviet Union. The release of Andrei Sakharov, the prominent dissident scientist, and Sakharov's ability to speak out publicly would have been unthinkable two years ago. True, he has praised Gorbachev's efforts at promoting greater *glasnost* – or openness – in Soviet society and has denounced the United States' Strategic Defense Initiative program. But he has also criticized the Soviet Union's human-rights record. The Soviets have also released 150 political prisoners and say they will release more. Thousands remain behind bars, in labor camps or psychiatric hospitals, but it is at least a start.

But despite the release of prisoners, the Soviets so far remain unyielding on the issue of emigration, and the new law on emigration appears to further limit the possibility of leaving.

Initially, Gorbachev, who had very little international experience, moved cautiously on the foreign policy front. But he has become more assertive in recent months. The Soviet Union seems to be exercising more caution in some areas – notably its relations with Third World countries. It has yet to confront the implications of its domestic reforms for Eastern Europe, where some countries – notably Czechoslovakia and East Germany – are so concerned about the impact of Gorbachev's liberalizing proposals on their societies that they have yet to print all of his speeches on reform and democratization.

But Gorbachev has recently pursued a much more assertive policy toward the West, wooing Western Europe and now the United States. After the Reykjavik near-disaster, he seems to have concluded that it is preferable to seek an arms-control agreement with a weak Reagan administration rather than wait for an unknown president in 1989.

The Soviets have finally accepted the "zero option," which they rejected five years ago. They have dropped their insistence that no arms-control agreement is possible unless the United States first renounces its "star wars" program. The Soviets have offered to negotiate the withdrawal of all US and Soviet medium-range missiles in Europe.

Problems, or course, remain, particularly in the area of verification. Soviet short-range missiles (which have no US counterpart) and, above all, the large Soviet conventional military presence in Europe, which can still be used to intimidate Western Europe politically. Moreover, our allies, having fought so hard to deploy US missiles in Europe, are not certain they really want them removed now. Nevertheless, this is an important Soviet offer that may well bear fruit.

Gorbachev has also been quite successful in using the media to his advantage in the West. In February, a three-day conference, which attracted a glittering international audience and was attended by many Western luminaries, showed another side of his new policies. Primarily intended for Western consumption, this academic and business extravaganza included addresses by Sakharov and Gorbachev and presented discussions on religion, culture and, of course, disarmament and peace. Gorbachev, who addressed the gathering and worked the room like a Western politician, is trying the persuade the West that *glasnost* extends beyond the boundaries of the Soviet Union.

Obviously, neither the Soviet population nor the West could have expected Gorbachev to liberalize Soviet society overnight. Compared to the record of his immediate predecessors, including Brezhnev, Gorbachev's changes have been almost revolutionary. The West should encourage these changes by responding positively to them and should look for ways to constructively push for more.

But Gorbachev's recent moves are primarily intended for domestic consumption. They are also part of a gamble to secure his own power, and it is still unclear whether he will prevail. Of course, he can always blame unnamed conservative opponents if his reforms do not succeed. But if he fails to improve the Soviet Union's economic performance, which is his main task – and a more important one than opening up the party a few degrees or impressing foreigners – Gorbachev's moves toward democratization may never be realized.

UPI/Bettmann Newsphotos

Mikhail Gorbachev: Are his new ideas being accepted by colleagues?

Angela Stent, director of the Russian Area Studies Program at Georgetown University, is currently a Visiting Scholar at the Harvard Russian Research Center.

Soviet leader Mikhail Gorbachev's second anniversary in power took place last week and his reforms appear bent on changing the entire social, political and economic system of all the Russias. A noted expert on Soviet affairs takes a

Second Look

Glasnost: Does it really mean openness? Can it last?

By Marshall I. Goldman
Special to the Globe

Even the hard-liners are being forced to concede that something new is taking place inside the Soviet Union. Although a product of the Communist Party and the bureaucracy, like his predecessors, it is hard to deny that Mikhail Gorbachev is trying with all the energy and political skills he has to revamp not only the Communist Party and the bureaucracy, but the entire social, political, and economic system in the Soviet Union.

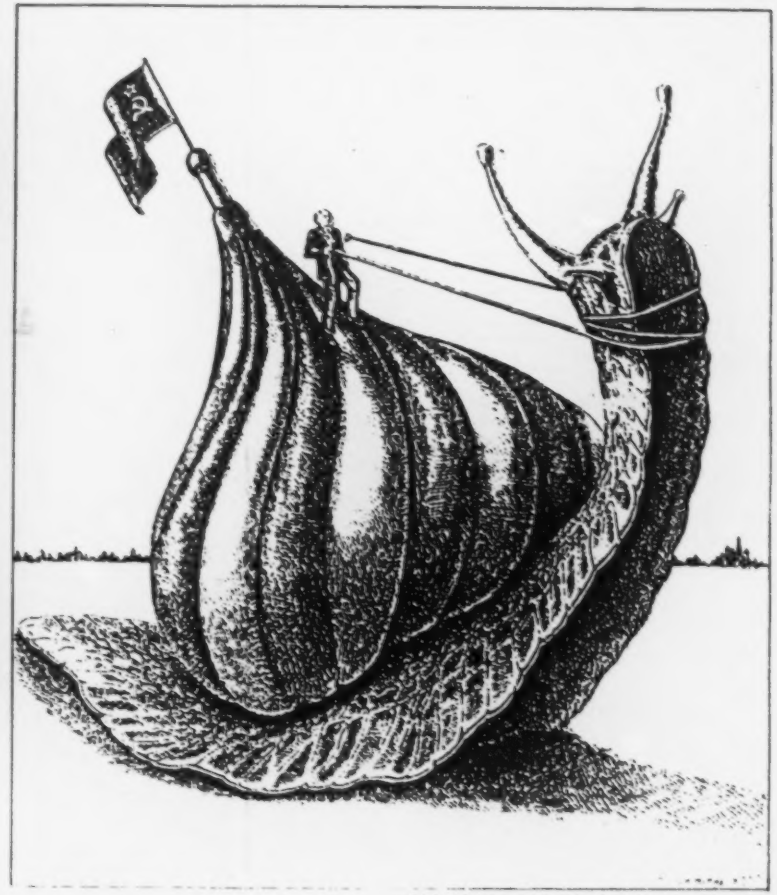
The dimensions of what Gorbachev is trying to do are breathtaking. Deng Xiaoping has tried to do the same thing in China, so far with very mixed results. Gorbachev seems equally ambitious and in many ways, more determined. He is proceeding at a much faster pace. Yet, so far, he seems to be encountering widespread resistance and there is relatively little to show for what he has done. His more radical economic proposals, such as the authorization of private business and joint ventures with capitalist businessmen, so far have not been implemented. Similarly, Gorbachev's call for secret ballots and multiple as well as nonparty candidates for government and party positions, and even elections for factory and farm managers, has been opposed and only one or two experiments have occurred.

But one reform where there has been some notable change is the new *glasnost*, or openness, policy. Admittedly, *glasnost* is far from universal. Yet as imperfect as the implementation of *glasnost* may be, what we tend to forget is that Gorbachev is only just completing his first two years in power. Given all that he has attempted to do and how he has dominated the news, it often seems like he has been in office much longer – at least a decade. But so far it is unfair to expect complete success. In fact, because the system has been so firmly entrenched, it is all the more remarkable that any change at all has occurred.

I: The commitment

Gorbachev's commitment to *glasnost* seemed to grow as he came to realize just how bad things inside the country, both economically and politically, had become. As a member of the Politburo for seven years before he became general secretary, Gorbachev must have had some idea about what was happening, but the utter corruption he has found in republics like Uzbekistan, Kazakhstan, Moldavia and the Ukraine, not to mention regions like Ulianovsk within the Russian republic itself, has probably come as a shock. Realizing the Soviet economy could not perform at its optimum as long as these local selfish interests could do as they pleased, Gorbachev decided

Milestones in the reforms by Gorbachev



Barbara Cummings illustration/Los Angeles Times Syndicate

he needed some system of checks and balances. As he explained in a speech to party officials during a visit to Khabarovsk in late July 1986, "the local parties are keeping quiet" and are not in effect blowing the whistle on wrongdoing. After all, why should they blow the whistle on themselves? But Gorbachev insisted that "we need publicity in order to insure fulfillment of the tasks" set out by the party. Thus, local newspapers must be allowed to investigate and criticize because "if we do not criticize ourselves and subject ourselves to analysis – we do not have any opposition parties ..." we will have no way of preventing or correcting abuses by local party officials. And as long as such abuses go unchecked, the workers will have no interest in joining in Gorbachev's efforts at restructuring. As he puts it, "a home can be put in order only by a person who feels he owns this house."

It has taken a long time, but Soviet spokesmen such as Tatiana Zaslavskaya are finally beginning to acknowledge openly that "half-truths ... in a certain sense are worse than lies." She goes on to point out that "if you conceal from people generalized information about the condition of their own lives (i.e. the degree of environmental pollution, the level of accidents in production, and crime rates, etc.) you cannot expect them to become more active in either production or political life. People's trust and support can only be obtained in response to trust placed in them."

II: The impetus

Although it is difficult to measure these things, the likelihood is that the main impetus for the *glasnost* policy is that Gorbachev sees this as a way to address domestic needs. However, there is no denying that the Soviets also expect that there will be a payoff internationally as well. More honesty and openness bring with it applause from the West and more respectability. The Soviet Union will never be accepted as a full member of the family of nations until it changes its undemocratic domestic policies and the introduction of *glasnost* is a critical step in that direction. The Soviets have also come to recognize that as long as they hold back information at home, their press will continue to lack credibility. As long as the Voice of America and BBC carry the news about events in the Soviet Union before the Soviet media do, Soviet listeners will continue to turn on their shortwave sets before listening to domestic broadcasts.

III: The implementation

Because the policy is so new, it is only to be expected that its implementation would be imperfect. On the impressive side is the acknowledgement that a KGB official in the Ukraine harassed and unjustly incriminated reporters from the local Ukrainian newspaper, as well as from Pravda. The Soviet press has also begun to discuss police brutality. After more than a week's delay, they were also unusually forthcoming about the Chernobyl disaster. Recently they have also been reasonably prompt in reporting ship sinkings, mine disasters, train wrecks, and even the two-day riot between Kazakhs and Russians in Alma-Ata, the capital of Kazakhstan. They also acknowledged that there had been "wild protests" by disgruntled workers at the Kama River Truck Plant in Brezhnev.

But the *glasnost* policy is not yet perfect. In many ways the biggest test occurred at Chernobyl, and there the Soviets fell far short of what they should have done. They said nothing to the Soviet Union as a whole and to the outside world for almost three days after the explosion took place. Even people on the scene were left without guidance for a full 36 hours. As a consequence, children were not told to stay indoors and some were observed playing soccer a few miles from ground zero. Moreover, in a perversion of the whole *glasnost* policy, the Soviet press proclaimed "we have no areas or personnel free from criticism. ... This was clearly confirmed for example, by Soviet media in their coverage of the disaster that occurred at the Chernobyl nuclear power plant. Even in this extreme case! Without any concealment, without fear that enemies would wrongly interpret the facts, the Soviet press truthfully related everything that happened."

Even those who are most closely identified with *glasnost* occasionally backslide. Just as they have so often in the past, Gennadi Gerasimov of the Ministry of Foreign Affairs and Georgi Arbatov of the Institute of the USA and Canada insisted that the plainclothes police officials who were beating up Jewish refuseniks and Western newsmen in February 1987 were "home-grown vigilantes," who took offense at the repeated demonstrations. That a group of vigilantes can resort to violence in broad daylight in the middle of Moscow while Soviet militiamen stand by without interfering suggests that *glasnost* is still a policy of convenience.

IV: The opposition

Certainly the *glasnost* policy still leaves much to be desired. What are its chances for success? As might be expected, *glasnost* has met with considerable opposition. As one Soviet commentator put it, "officials and bureaucrats are resisting ... stop! they say ... you are discrediting the system and the party." But it must be admitted that those who answer such critics do not always do so in a way that is entirely convincing. One proponent of *glasnost* explained that for some, official policy precluded any criticism of the airline Aeroflot because "criticism would undermine its prestige on international lines." But it is hard to believe he was serious, particularly when he went on to ask, "After this [criticism], did Aeroflot lose its prestige or international lines? It didn't, did it?" Should we tell him?

In other more dramatic instances, proponents of more openness have been fired from their jobs and expelled from the party. Even Gorbachev does not enjoy complete openness. Not only have some of his speeches not been reported, but some of the reported ones have been censored. Thus, when Gorbachev acknowledged that "we do not have any opposition party" in the speech cited earlier, the editors when reprinting his speech in Pravda left out that acknowledgement.

V: The prospects for success

Certainly the phenomenon of *glasnost* has taken the Soviet Union a long way in two years. For this they desire applause, both outside and in the Soviet Union. But it is not a complete process. Moreover, there is good reason to worry whether such a policy will ultimately succeed. In addition to all the pitfalls already mentioned, there is also the danger that in the midst of all this new openness, Gorbachev's abilities as a leader may be called into question. Look how much has gone awry since he has taken over! It is not that such disasters have not happened before – they have – but few people knew about them because they were not publicized. Now everyone knows and some may even conclude that all this bad news is evidence of Gorbachev's faulty leadership. Equally dangerous is the concern, which is evidently widespread, that these tragedies are not so much the consequence of poor leadership but the wrath of the devil. Among the superstitious in the Soviet Union, of whom there are millions, there is the firmly held belief that the prominent birthmark on Gorbachev's forehead is in fact the mark of Cain and that as long as Gorbachev is leader of the Soviet Union, the devil will inflict punishment on the country. This is how not only all these new disasters are explained, but even the cold weather of January 1987.

Given all these obstacles, the future of *glasnost* and Gorbachev is uncertain. Nor is there much that we in the United States can do, since if the assumptions here are correct, this is primarily an internal process. Obviously it would help Gorbachev if he could reach an arms agreement with the United States. Success here would provide him with momentum for his domestic policies. Otherwise the best we can do is acknowledge that something new and better is happening inside the Soviet Union. When there is backsliding, we should be quick to criticize, but when there are positive developments, we should be equally quick to applaud. Positive reinforcement in the Soviet Union could help Gorbachev. Given the enormity of what he is trying to do, he can use some encouragement now and then, particularly if it comes from those who have in the past insisted that no one could be bold enough to do what Gorbachev is indeed attempting to do.

Marshall I. Goldman is professor of economics, Wellesley College; associate director, Russian Research Center, Harvard; and author of the forthcoming "Gorbachev's Challenge: Economic Reform in the Age of High Technology"

1985

March 11

Gorbachev becomes general secretary of the Communist Party.

May

Factory experiment at two plants, Togliatti and Sumy, which allow firms to keep 70 percent of profits to finance themselves.

October

Eleven machine tool ministries put under the jurisdiction of the Bureau for Machine Building.

November

Six agriculture ministries combined into Gosagroprom.

Summit meeting between Gorbachev and Reagan in Geneva.

1986

February

27th Congress of the Communist Party.

Anatoly Shcharansky (now Natan Sharansky) freed from prison and allowed to emigrate.

March

Collective firms allowed to sell up to 30 percent of their output in cooperative stores in urban areas at high prices.

Bureau for Fuel Energy Complex established to coordinate energy ministries.

July

Crackdown on private trade activities.

August

American journalist Nicholas Daniloff arrested.

Soviet Union seeks admittance to the Geneva Agreement on Tariffs and Trade (GATT) as an observer.

Politburo authorizes creation of joint ventures with socialist and capitalist partners.

September

Monopoly of Ministry of Foreign Trade is broken and selected enterprises and ministries can now arrange their own export and import.

October

Iceland summit meeting between Gorbachev and Reagan.

November

Authorization providing for formation of new semi-private cooperatives.

December

Release of Andrei Sakharov from exile in Gorky.

Two days of riots in Kazakhstan.

1987

January

1,500 factories must have their production certified for quality before workers are paid.

Seven ministries and 36 enterprises are converted to new self-financing experiment introduced in May 1985 at Togliatti and Sumy.

New immigration law goes into effect which restricts immigration to invitations from immediate family members.

Release of more than 150 political prisoners.

Plenum of Communist Party convened.

Gorbachev calls for election of party, government and industry officials and managers. Final resolution authorizes many fewer elections than Gorbachev requested.

February

New law spelling out regulations for operating state enterprises — to be patterned on Togliatti and Sumy experiment — in all enterprises as of 1990.

May

Individual and family-run businesses authorized to open.